Exhibits E-1 through E-14

Kinds of Housing Assistance Provided

Beginning with Exhibit E, all the exhibits that follow principally report on agencies housing activities in contrast to reporting on financial data identified in Exhibits A-D. Exhibits E1-E14 report the major activities that comprise agencies expenditures (refer to Appendix B and HCD Schedule D's that agencies use to report housing activities).

Agencies assisted 22,549 households over FY 2002-2003, an increase of 16 percent over the previous year's number (19,422) of households assisted. In assisting households, agencies are required to keep records to report how housing funds were used, pursuant to Section 33080.4(a), by identifying information such as:

(1) the name of the reported project and/or activity,
(2) whether the agency or other entities or persons provided the assistance,
(3) the kind of assistance provided,
(4) whether a renter or owner was assisted, and
(5) whether assistance was provided to an elderly or non-elderly household.

Several exhibits reflect some agencies reporting that a few assisted households subsequently became "ineligible" (statewide count is 45) which are excluded from the count of total households assisted. The term "ineligible" refers to households who were eligible at the time of being assisted but subsequently had a change in circumstances (e.g. change in income and/or family size) to prevent the household from qualifying for the same assistance when the household was last surveyed to determine and verify eligibility.

<u>Housing Activities Triggering Inclusionary or Production Requirements of Section 33413(b)</u>
Section 33413(b) is commonly called the inclusionary or production requirement that is based on housing construction and rehabilitation completed in project areas created or expanded after 1975. The terms "inclusionary" or "production" refers to the requirement for agencies, within ten years, to ensure *(meaning include or produce)* a specified percentage of units are affordable over the duration of the project area plan (which can span more than 30 years). Agencies fulfill this requirement by assisting in the production of new or substantially rehabilitated affordable units within project areas. Agencies are allowed to fulfill their inclusionary housing obligations outside of project areas provided they meet the "2 for 1" provision that requires twice as many units to be produced outside as were required inside of project areas. Also, agencies have the option to meet up to 50 percent of their affordable housing inclusionary or production obligations by acquiring covenants (rental affordability restrictions for at least 55 years) on multi-family units providing that at least half of the covenants assist very-low income households.

Units reported in Exhibits E-1 through E-4 consist of those in which agencies control long-term affordability restrictions to meet inclusionary and/or replacement housing obligations that have accrued over the last 10 years. Due to changes in law enacted by Assembly Bill 1290 (AB 1290, Isenberg, Statutes of 1993), some units are referred to as Rehabilitation Pre-1994 and Substantial Rehabilitation Post 1993. For Fiscal Year 2002-2003, agencies reported 6,268 units as a credit toward meeting part of their inclusionary obligations. These units consist of: New Construction (4,416 at Exhibit E-1), Rehabilitation-Pre 1994 (519, Exhibit E-2), Substantial Rehabilitation-Post 1993 (855, Exhibit E-3), and Acquisition of Covenants (478, Exhibit E-4).

The inclusionary requirement is 30 percent for agency developed units and 15 percent for non-agency developed units in a project area. A further requirement is that 50 percent or more of agency developed inclusionary units must be made available to very-low income households. For non-agency developed units, the additional requirement for very-low inclusionary is 40 percent. To clarify, using a 100 unit project as an example, the 30 percent inclusionary requirement would be triggered by the agency developing 100 market-rate units using funds <u>other than the Low-Mod Fund</u> (other funds have to be used because housing funds can only be used to assist households with moderate and below incomes). These 100 project area units would trigger the 30% inclusionary obligation requiring the agency to ensure that an additional 30 affordable units are made available (included or produced) in the project area within 10 years and that 50% (15 of the 30 inclusionary units) are affordable to very-low income households. For a similar non-agency developed project, the 15 percent inclusionary requirement would apply obligating the agency to produce 15 affordable units and additionally ensure that 6 (40% of the 15 inclusionary units) are affordable to very-low income households. Information about agencies' increased inclusionary obligations from completed project area housing activities over the reporting year is discussed in Exhibit G.

<u>Inclusionary or Production Requirement Changes</u>
Assembly Bill 1290 revised many provisions of redevelopment law including activities triggering the inclusionary or production requirements of Section 33413(b). Before AB 1290, all new construction and any rehabilitation (minor or substantial) triggered the inclusionary requirement for agencies to ensure a percentage of units are affordable. Assembly Bill 1290 changed and lessened Section 33413(b) requirements as follows:

(1) rehabilitation triggering the inclusionary requirement was changed to substantial rehabilitation (defined as the value constituting 25 percent of the after rehabilitation value inclusive of land value) and
(2) substantial rehabilitation was specified to apply to all agency and non-agency developed multi-family rentals (consisting of three or more units) but only agency assisted single-family units.

Effective January 2002, Assembly Bill 637 (AB 637, Lowenthal, Statutes of 2001) revised the law to further lessen the inclusionary requirement on non-agency developed units by specifying that all substantial rehabilitation (multi-family and single-family units) had to be agency assisted to trigger the inclusionary requirement for agencies to ensure additional units are affordable to low and moderate income persons. For example, before AB 637, if non-agency entities substantially rehabilitated 100 multi-family units in a project area, 80 without agency assistance and 20 with agency assistance, the agency's increased inclusionary obligation amounted to 15 units (15% of 100 units). Under AB 637, the agency's obligation decreased to 3 units (15% of 20 agency assisted units). Assembly Bill 637 also amended the law to lengthen affordability periods from at least 30 years to at least 45 years for owner-occupied units and 55 years for rental units.

Activities Meeting the Replacement Requirement (Section 33413(a)

As with the inclusionary requirement in which agencies have an obligation to ensure or produce additional affordable housing units within a specified time (10 years), agencies have a replacement obligation (refer to Exhibit H). Many agencies interpret redevelopment law as allowing them to "double count" units constructed or substantially rehabilitated as meeting both a replacement and inclusionary obligation that is contrary to the department's interpretation and advice.

Agencies must replace, within four years, dwelling units affordable to low or moderate-income households that have been removed from the housing market due to a redevelopment project in which the agency has provided assistance or was involved in a contract. In addition, agencies must ensure replacement units provide at least as many bedrooms as were included in the units removed and that replacement units be comparable in affordability to units removed that triggered the replacement requirement. Activity reported as meeting agencies' replacement obligations total 1,545. Activities include New Construction (1,297 at Exhibit E-1), Rehabilitation-Pre 1994 (148 at Exhibit E-2) and Substantial Rehabilitation-Post 1993 (100 at Exhibit E-3).

Other Housing Assistance

Various other types of housing assistance benefiting 14,736 households cover all the remaining activities not reported as satisfying agencies' inclusionary (6,268) or replacement (1,545) requirements. These various activities include non-inclusionary construction (3,164) reported in Exhibit E-1, non-inclusionary rehabilitation (4,328) contained in exhibits E-5 and E-6, subsidies (1,929) reported in Exhibit E-11, acquisitions and preservation of units with Low-Mod Funds (605) reported in Exhibit E-7 and E 10, assisting mobilehome and park residents (1,446) reported in Exhibits E-8 and E-9, and undefined other (3,262) reported in Exhibit E-12 and one agency replacing two rental units (E-14) using funds other than the Low-Mod Fund. No agencies reported using Low-Mod Fund to replace preservation units (E-13).